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## Egypt

### Dairy and Products

### Annual

### 2004

**Approved by:**

Asif J. Chaudhry  
US Embassy

**Prepared by:**

Fred Giles & Sherif Ibrahim

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**Report Highlights:**

Egyptian fluid milk production in 2003 remained unchanged from 2002 levels. On September 8, 2004, the government of Egypt reduced tariff rates for imported cheese from 30 percent to 22 percent.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
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Cairo [EG1]  
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**Table of Contents**

|   |          |
|---|----------|
| <b>PSD Table .....</b>                                | <b>3</b> |
| <b>Production .....</b>                               | <b>3</b> |
| Cheese .....  | 4        |
| <b>Production .....</b>                               | <b>4</b> |
| Consumption .....                                     | 5        |
| <b>Price .....</b>                                    | <b>5</b> |
| Trade .....   | 5        |
| <b>Tariffs .....</b>                                  | <b>6</b> |
| Marketing Opportunities for U.S. Cheese Exports ..... | 6        |
| <b>Import Trade Matrix .....</b>                      | <b>7</b> |
| Butter .....  | 8        |
| <b>Production .....</b>                               | <b>8</b> |
| Consumption .....                                     | 8        |

## PSD Table

## PSD Table

Country:

Egypt

Commodity:

Dairy, Milk, Fluid

| Calendar Year Begin         | 2003 |             | 2004 |             | 2005 |             |
|-----------------------------|------|-------------|------|-------------|------|-------------|
|                             | Old  | New         | Old  | New         | Old  | New         |
|                             |      | Jan-03      |      | Jan-04      |      | Jan-05      |
| Cows In Milk                | 1620 | 1610        | 1620 | 1615        | 0    | 1617        |
| Cows Milk Production        | 1690 | 1680        | 1690 | 1675        | 0    | 1687        |
| Other Milk Production       | 2510 | 2120        | 2310 | 2125        | 0    | 2213        |
| TOTAL Production            | 4200 | 3800        | 4000 | 3800        | 0    | 3900        |
| Intra EC Imports            | 0    | 0           | 0    | 0           | 0    | 0           |
| Other Imports               | 0    | 0           | 0    | 0           | 0    | 0           |
| TOTAL Imports               | 0    | 0           | 0    | 0           | 0    | 0           |
| <b>TOTAL SUPPLY</b>         | 4200 | <b>3800</b> | 4000 | <b>3800</b> | 0    | <b>3900</b> |
| Intra EC Exports            | 0    | 0           | 0    | 0           | 0    | 0           |
| Other Exports               | 0    | 0           | 0    | 0           | 0    | 0           |
| TOTAL Exports               | 0    | 0           | 0    | 0           | 0    | 0           |
| Fluid Use Dom. Consum.      | 1700 | 1629        | 1700 | 1634        | 0    | 1677        |
| Factory Use Consum.         | 2100 | 1800        | 2100 | 1866        | 0    | 1923        |
| Feed Use Dom. Consum.       | 400  | 371         | 200  | 300         | 0    | 300         |
| TOTAL Dom. Consumption      | 4200 | 3800        | 4000 | 3800        | 0    | 3900        |
| <b>TOTAL DISTRIBUTION</b>   | 4200 | <b>3800</b> | 4000 | <b>3800</b> | 0    | <b>3900</b> |
| Calendar Yr. Imp. from U.S. | 0    |             | 0    | 0           | 0    | 0           |
| Calendar Yr. Exp. to U.S.   | 0    | 0           | 0    | 0           | 0    | 0           |

## Production

Total Egyptian fluid milk production in 2003 is estimated at 3.8 million MT, practically unchanged from 2002 levels. Stagnation of production is mainly due to the Ministry of Agriculture (MOA) Decree # 1355/1998, which requires that imported cattle must be from a country or area declared as Unexotic Bovine Leukosis (EBL) free. Since the United States is not declared as EBL-free, importation of U.S. dairy cattle into Egypt in 2003 was effectively banned. However, as a result of joint efforts between U.S. industry officials, importers, FAS Cairo, and APHIS, the Egyptian government decided to allow the importation of breeding cattle coming from bio-secured farms under the supervision of Egyptian veterinary authorities. To date, no dairy cattle imports from the United States have taken place; cost constraints are a major impediment. Egyptian dairy farmers continue to favor U.S. dairy cattle for their higher milk production (27 kg/day in their first lactation) compared with 16 kg/day for cattle from other sources. In addition to EBL, the single case of BSE found in the United States has made importation of U.S. dairy cattle more difficult. As a result, fluid milk prices are currently at LE

1.75 (for 3% milk fat) and could reach LE 1.85 after adding quality premiums such as fat content. This is compared to LE 1.40 during the same period last year. Prices are expected to remain at or near the current levels.

## Cheese

### PSD Table

Country:

Egypt

Commodity:

Dairy, Cheese

| Calendar Year Begin         | 2003 |            | 2004 |            | 2005 |            |
|-----------------------------|------|------------|------|------------|------|------------|
|                             | Old  | New        | Old  | New        | Old  | New        |
|                             |      | Jan-03     |      | Jan-04     |      | Jan-05     |
| Beginning Stocks            | 0    | 0          | 0    | 0          | 0    | 0          |
| Production                  | 450  | 450        | 430  | 455        | 0    | 457        |
| Intra EC Imports            | 0    | 0          | 0    | 0          | 0    | 0          |
| Other Imports               | 12   | 9          | 8    | 10         | 0    | 11         |
| TOTAL Imports               | 12   | 9          | 8    | 10         | 0    | 11         |
| <b>TOTAL SUPPLY</b>         | 462  | <b>459</b> | 438  | <b>465</b> | 0    | <b>468</b> |
| Intra EC Exports            | 0    | 0          | 0    | 0          | 0    | 0          |
| Other Exports               | 4    | 5          | 4    | 5          | 0    | 6          |
| TOTAL Exports               | 4    | 5          | 4    | 5          | 0    | 6          |
| Human Dom. Consumption      | 458  | 454        | 434  | 460        | 0    | 462        |
| Other Use, Losses           | 0    | 0          | 0    | 0          | 0    | 0          |
| Total Dom. Consumption      | 458  | 454        | 434  | 460        | 0    | 462        |
| TOTAL Use                   | 462  | 459        | 438  | 465        | 0    | 468        |
| Ending Stocks               | 0    | 0          | 0    | 0          | 0    | 0          |
| <b>TOTAL DISTRIBUTION</b>   | 462  | <b>459</b> | 438  | <b>465</b> | 0    | <b>468</b> |
| Calendar Yr. Imp. from U.S. | 0    | 0          | 0    | 0          | 0    | 0          |
| Calendar Yr. Exp. to U.S.   | 0    | 0          | 0    | 0          | 0    | 0          |

### Production

Between 60 and 65 percent of Egypt's total milk production, as well as most imports of non-fat dry milk, (NFD) is utilized in commercial cheese production while the rest is divided between fresh milk consumption, on farm cheese manufacturing and the production of UHT milk. The most important type of cheese produced in Egypt is feta. There are two types of feta cheese which differ depending on the raw materials used in production. The first type is an inexpensive white cheese, which is produced from imported NFD and vegetable oil (palm oil). The second category is a more expensive white cheese which is produced from fresh milk. In 2003, feta cheese production, both commercial and homemade, represented about 75 percent of the cheese produced and consumed in Egypt. Egypt's total annual production of feta cheese in 2003 is estimated at about 355,000 MT, 80 percent of which is produced from unpasteurized milk by small unlicensed factories (about 5000 factories). This is done despite an existing government standard (yet to be enforced) which prohibits the production of feta cheese from unpasteurized

milk. The remaining balance of production is spread among hard romano (60,000 MT), processed cheese (30,000 MT), a small but growing production of mozzarella cheese, and very small amounts of blue cheese and cheddar cheese. Total cheese production in 2004 is expected to increase slightly over the 2003 level due to the expected increase in both nonfat dry milk and whey imports. Most of this increase is expected to occur in the production of feta cheese since its production relies more heavily on these products.

Under the current economic reform policy, the government of Egypt continues to offer for sale the only remaining public sector dairy company (Misr Dairy which has 14 small plants) to private sector buyers. Only one factory in Alexandria has been sold to a private sector investor. According to Ministry of Industry officials, only three factories out of the 14 are currently operating.

## Consumption

Cheese is an important part of the Egyptian diet and many people eat cheese at least with one meal a day. Most cheese is consumed either directly or with bread. Annual per capita consumption of cheese is estimated at around 6.5 kilograms. Feta cheese is both the most popular and least expensive type of cheese available. Egyptians also are fond of Romano and processed cheese. In 2003, imports of fancy cheeses such as parmesan, camembert and brie are estimated at about 340 MT. Consumption of cheddar cheese and mozzarella cheese (both natural and processed) is rising due to the increased number of fast food (pizza and hamburger) restaurants.

## Price

The average wholesale prices for feta cheese ranged between LE 8-12 per kg in 2003 (depending on the type), and the retail prices varied between LE 12 and LE 18 per kg (depending on the type). The wholesale price of locally produced Romano cheese ranged between LE 13 to 18 per kg. It retailed for LE 18 to 23 per kg. Imported cheddar cheese prices currently range between \$2,500 and \$2,750 per MT C&F compared to \$2,400 and \$2,500 per MT during 2003. The current price of imported fancy cheese from Europe varies between \$5,000 and \$12,000 per MT C&F, depending on the type of cheese. Gouda and edam cheeses are currently being imported at \$3,470 and \$3,590 per MT CIF, respectively, while retail prices range approximately between LE 25 and 26 per Kg, respectively. Imported fancy cheese such as old amsterdam, parmesan and camembert sell at between LE 90 and LE 115 per kg at the retail level.

## Trade

The private sector is responsible for virtually all of Egypt's cheese imports. Netherlands, Australia, Poland and New Zealand continue to be by far, the major cheese supplier to the Egyptian market. Import demand is generated largely by the more affluent segments of the population, the tourism sector, hotels and restaurants, while demand for other imports such as cheddar cheese is generated by growing domestic processed cheese manufacturers. According to Egyptian import statistics, cheese imports in 2003 are estimated at 9,232 MT compared to 9,000 MT in 2002. Egypt's total cheese exports in 2003 are estimated at about 5,000 MT, nearly the same as 2002. Most of Egypt's cheese exports consist of feta cheese.

The European Union (EU) is the major fancy cheese supplier to the Egyptian market. Cheese imports from the EU are expected to slightly increase in both 2004 and 2005 due to the tariff reductions on imported cheese.

The EU-Egyptian Partnership Agreement which was signed in June 2001 and went into effect in June 2004, offers several important tariff concessions for European dairy suppliers. However, European cheese exporters are not expected to gain much from the agreement. According to the agreement (Annex to protocol 2), Egypt will only allow a 2,000 MT tariff rate quota (TRQ) at 50 percent of the basic tariff for cheese and curd products from the EU. The following types of cheese products will be included in this TRQ:

|          |                                      |
|----------|--------------------------------------|
| 04061090 | Fresh cheese in packages over 20 kg  |
| 04062090 | Grated or powdered cheese over 20 kg |
| 04063090 | Processed cheese over 20 kg          |
| 04064090 | Blue veined cheese over 20 kg        |
| 04069090 | Other cheese over 20 kg              |

### **Tariffs**

On September 8, 2004, the government of Egypt reduced tariff rates for imported cheese. All cheeses packaged under twenty kilograms are now subjected to a 22 percent tariff compared to a 30 percent tariff before the reduction. All cheeses, packaged over twenty kilograms are subjected to a flat 12 percent tariff. It usually takes three weeks for imported cheese to be released from port by Egyptian import authorities. A great deal of that time is taken to review certifications required by the Ministries of Health, Agriculture, and Economy & Trade. The shelf-life requirement for imported cheese is between 6 months and one year depending on the type of product.

### **Marketing Opportunities for U.S. Cheese Exports**

The primary suppliers of cheese to the Egyptian market are Netherlands, New Zealand, Australia and the European Union. Opportunities for U.S. cheese exports to Egypt exist, but they are limited due to lack of price competitiveness, especially when confronted with the EU subsidy program. Although price is an important factor for cheese importers, there is a growing segment of consumers where quality comes before price considerations when buying cheese. The average Egyptian consumer is not aware of the different types of cheese available from the United States. However, the availability of the DEIP program for U.S. cheddar cheese could be a very significant factor in expanding U.S. cheese exports (particularly cheddar cheese for manufacturing) in the Egyptian market.

**Import Trade Matrix****Import Trade Matrix**

**Country:** Egypt Units: MT

**Commodity:** Dairy, Cheese

**Time period:** CY

**Imports for** 2002 2003

U.S. 65 U.S. 148

Others Others

|                          |       |            |       |
|--------------------------|-------|------------|-------|
| Netherlands              | 4,050 | Netherland | 3,199 |
| Australia                | 1,923 | Australia  | 1,199 |
| Newzealand               | 1,014 | Poland     | 582   |
|                          |       | Newzealand | 517   |
|                          |       | Denmark    | 359   |
|                          |       | France     | 146   |
|                          |       |            |       |
|                          |       |            |       |
|                          |       |            |       |
|                          |       |            |       |
| <b>Total for Others</b>  | 6987  |            | 6002  |
| <b>Others not listed</b> | 1,948 |            | 3,082 |
| <b>Grand Total</b>       | 9000  |            | 9232  |

**Butter****PSD Table****Country:****Egypt****Commodity:****Dairy, Butter**

| Calendar Year Begin         | <b>2003</b> |               | <b>2004</b> |               | <b>2005</b> |               |
|-----------------------------|-------------|---------------|-------------|---------------|-------------|---------------|
|                             | Old         | New           | Old         | New           | Old         | New           |
|                             |             | <b>Jan-03</b> |             | <b>Jan-04</b> |             | <b>Jan-05</b> |
| Beginning Stocks            | 0           | 0             | 0           | 0             | 0           | 0             |
| Production                  | 12          | 13            | 13          | 12            | 0           | 13            |
| Intra EC Imports            | 0           | 0             | 0           | 0             | 0           | 0             |
| Other Imports               | 45          | 47            | 47          | 48            | 0           | 50            |
| TOTAL Imports               | 45          | 47            | 47          | 48            | 0           | 50            |
| <b>TOTAL SUPPLY</b>         | 57          | <b>60</b>     | 60          | <b>60</b>     | 0           | <b>63</b>     |
| Intra EC Exports            | 0           | 0             | 0           | 0             | 0           | 0             |
| Other Exports               | 0           | 0             | 0           | 0             | 0           | 0             |
| TOTAL Exports               | 0           | 0             | 0           | 0             | 0           | 0             |
| Domestic Consumption        | 57          | 60            | 60          | 60            | 0           | 63            |
| TOTAL Use                   | 57          | 60            | 60          | 60            | 0           | 63            |
| Ending Stocks               | 0           | 0             | 0           | 0             | 0           | 0             |
| <b>TOTAL DISTRIBUTION</b>   | 57          | <b>60</b>     | 60          | <b>60</b>     | 0           | <b>63</b>     |
| Calendar Yr. Imp. from U.S. | 0           | 0             | 0           | 0             | 0           | 0             |
| Calendar Yr. Exp. to U.S.   | 0           | 0             | 0           | 0             | 0           | 0             |

**Production**

A very small amount of butter is produced in Egypt on a commercial scale. Most local production is by farmers for home consumption, with a small amount of this production marketed locally at weekly village markets. The lack of a significant domestic butter industry is due to several factors. The most important factor is the rapid increase in the production of lower price ghee (shortening) produced from palm oil, which has decreased the incentive to produce local butter. In addition, the lack of adequate refrigeration throughout the country makes the conversion of butter to butter oil and ghee a real necessity.

**Consumption**

Egyptians prefer butter made from buffalo milk to butter made from cow milk due to its distinctive flavor. They also have a preference for unsalted butter as opposed to salted butter. Only small quantities of butter are consumed in solid form. This limited quantity is primarily sold at up-scale supermarkets. Butter is mostly used as an ingredient in baked goods or in fried foods. Both locally produced and imported butter are melted and stored in the form of butter ghee. This process allows the butter to be stored without refrigeration for as long as 9-12 months. Butter ghee is preferred to vegetable oil for cooking. Because imported butter oil tends to cost a bit more than imported butter, most people buy butter which they later convert to butter oil at home. Imported



butter is available throughout the year. However, demand generally increases during the holidays, especially during the fasting month of Ramadan when 20-30 percent of total annual production is consumed.

## Prices

The average import price for butter is currently between \$2,000 and \$2,100 MT/CIF. According to importers, the current retail price for a 25 kg carton has increased to LE 370, reflecting higher import costs due to the devaluation of Egyptian pound. This is compared to LE 280 during the same period in 2003.

## Trade

Total Egyptian butter imports in 2003 decreased by 10 percent, from 52,490 MT in 2002 to 47,000 MT. Trade sources estimate that Egyptian butter imports in 2003 included approximately 6,000 MT of butter oil, most of which came from New Zealand and Australia. In recent years, the U.S. market share in the Egyptian butter market has been non-existent. The decline is attributed mainly to the high prices of U.S. butter (in the absence of the DEIP program) compared to that of other suppliers from New Zealand and Australia. Egypt's total butter imports from January 2004 through September 2004 are estimated at 30,000 MT. Trade sources reported that imports of butter and butter oil during 2005 will likely increase above the 2003 level.

Under the EU- Egypt Partnership Agreement, butter, other fats and oils derived from milk, dairy spreads (0405) and other products that fall under heading (04050090) in packages of more than 20 kg will enter Egypt without duty beginning in 2006. In addition, import tariffs on European processed dairy products that fall in HS codes 0403, 04031000, 040390, 04039091, 04039099, 0405 and 04050010 will be reduced in three stages following the implementation of the agreement:

- 5 percent reduction at basic duty two years after implementation
- 10 percent reduction of basic duty three years after implementation
- 15 percent reduction of basic duty four years after implementation

Moreover, European suppliers will receive a 5,000 MT TRQ for butter and other fats (04050090) at a 25 percent reduction on the applied tariff rate.

Most butter is imported in 25 kilogram blocks and then re-packaged for sale to grocers and supermarkets. The shelf life for both imported and locally produced butter is 18 months. For butter oil the shelf-life is two years. According to importers, it takes between 15-21 days to obtain all of the necessary certificates to clear incoming shipments of butter and butter oil from Egyptian ports.

**Import Trade Matrix**Country: **Egypt** Units: **MT**Commodity: **Dairy, Butter**Time period: **CY**

|                    |             |        |             |
|--------------------|-------------|--------|-------------|
| <b>Imports for</b> | <b>2002</b> |        | <b>2003</b> |
| U.S.               | <b>0</b>    | U.S.   | <b>0</b>    |
| Others             |             | Others |             |

|                          |        |             |        |
|--------------------------|--------|-------------|--------|
| New Zealand              | 29,804 | New Zealand | 20,373 |
| Australia                | 11,239 | Netherland  | 7,806  |
| Ethiopia                 | 1,003  | Australia   | 5,015  |
| Poland                   | 2,490  |             |        |
|                          |        |             |        |
|                          |        |             |        |
|                          |        |             |        |
|                          |        |             |        |
|                          |        |             |        |
|                          |        |             |        |
| <b>Total for Others</b>  | 44536  |             | 33194  |
| <b>Others not listed</b> | 7,954  |             | 13,806 |
| <b>Grand Total</b>       | 52490  |             | 47000  |

**Factors Affecting U.S. Exports**

The withdrawal of the DEIP program is the main factor contributing to the drastic decline of U.S. butter exports to Egypt in the last few years. Although Egyptian importers of dairy products have a very favorable opinion of U.S. butter quality, they indicate that price is the most important factor that influences their decision.

New Zealand, Netherland and Australia maintained their butter export restitution and their market share in 2003. Not withstanding high prices, Egyptian importers cite three other factors that lead them to import from non-U.S. origins. They include the quality of packing cartons, high moisture content and the white color of U.S. butter, compared to the yellow color from U.S. competitors.

**Tariffs**

The Egyptian government reduced the import tariffs on butter and other fats and oils derived from milk to the following:

- Containers less than 20 kg      12 percent
- Containers greater than 20 kg      5 percent

**Milk Powder****PSD Table****Country:****Egypt****Commodity:****Dairy, Milk, Nonfat Dry**

|                             | <b>2003</b> |               | <b>2004</b> |               | <b>2005</b> |               |
|-----------------------------|-------------|---------------|-------------|---------------|-------------|---------------|
|                             | Old         | New           | Old         | New           | Old         | New           |
| <b>Calendar Year Begin</b>  |             | <b>Jan-03</b> |             | <b>Jan-04</b> |             | <b>Jan-05</b> |
| Beginning Stocks            | 0           | 0             | 0           | 0             | 0           | 0             |
| Production                  | 0           | 0             | 0           | 0             | 0           | 0             |
| Intra EC Imports            | 0           | 0             | 0           | 0             | 0           | 0             |
| Other Imports               | 30          | 27            | 15          | 30            | 0           | 32            |
| TOTAL Imports               | 30          | 27            | 15          | 30            | 0           | 32            |
| <b>TOTAL SUPPLY</b>         | 30          | <b>27</b>     | 15          | <b>30</b>     | 0           | <b>32</b>     |
| Intra EC Exports            | 0           | 0             | 0           | 0             | 0           | 0             |
| Other Exports               | 0           | 0             | 0           | 0             | 0           | 0             |
| TOTAL Exports               | 0           | 0             | 0           | 0             | 0           | 0             |
| Human Dom. Consumption      | 30          | 27            | 15          | 30            | 0           | 32            |
| Other Use, Losses           | 0           | 0             | 0           | 0             | 0           | 0             |
| Total Dom. Consumption      | 30          | 27            | 15          | 30            | 0           | 32            |
| TOTAL Use                   | 30          | 27            | 15          | 30            | 0           | 32            |
| Ending Stocks               | 0           | 0             | 0           | 0             | 0           | 0             |
| <b>TOTAL DISTRIBUTION</b>   | 30          | <b>27</b>     | 15          | <b>30</b>     | 0           | <b>32</b>     |
| Calendar Yr. Imp. from U.S. | 0           | 0             | 0           |               | 0           |               |
| Calendar Yr. Exp. to U.S.   | 0           | 0             | 0           | 0             | 0           | 0             |

**Production**

Egypt has no milk powder production. Imported non-fat dry milk (NFDM) and whey powder are used mainly for the production of feta cheese, yogurt and ice cream. Small quantities of NFDM and whey are also utilized in the production of chocolate and pastries. Limited quantities of full fat dry milk are also imported and sold for direct human consumption.

**Consumption**

The consumption of milk powder increased in 2003 following the GOE's removal of the 45 percent safeguard duty in September 2002. Non-fat dry milk consumption in 2003 was estimated at 27,000 MT compared to 18,000 MT in 2002. An increase in consumption is expected for 2005.

**Trade**

All of Egypt's dry milk requirements are imported by private sector companies. According to official trade data, total imports of powder milk in 2003 increased by about 60 percent as a result of removing the safeguard duty on imported non-fat dry milk. However, despite the devaluation of the Egyptian pound against the U.S. dollar and the general economic slow down, it is expected

that NFDM imports will recover and reach 32,000 MT in 2005. Sweden, New Zealand, Poland and Denmark are the main suppliers of milk powder to Egypt. The average import price for non-fat dry milk from the EU is currently \$2,200 per MT/CIF compared to about \$2,180 per MT/CIF during October 2002.

The shelf life for imported NFDM into Egypt is two years. It normally takes between 15-21 days to release a NFDM consignment through Egyptian customs. The current import tariffs on NFDM are five percent of CIF value.

### Import Trade Matrix

|                          |                                |               |             |
|--------------------------|--------------------------------|---------------|-------------|
| <b>Country:</b>          | <b>Egypt</b>                   | <b>Units:</b> | <b>MT</b>   |
| <b>Commodity:</b>        | <b>Dairy, Milk, Nonfat Dry</b> |               |             |
| <b>Time period:</b>      | <b>CY</b>                      |               |             |
| <b>Imports for</b>       | <b>2002</b>                    |               | <b>2003</b> |
| U.S.                     |                                | U.S.          |             |
| Others                   |                                | Others        |             |
| Poland                   | 2,906                          | Sweden        | 5,377       |
| Sweden                   | 2,896                          | Newzealand    | 4,452       |
| Newzealand               | 2,198                          | Poland        | 3,337       |
| Finland                  | 1,374                          | Denmark       | 2,295       |
| France                   | 1,066                          | France        | 1,976       |
|                          |                                | Australia     | 1,632       |
|                          |                                |               |             |
|                          |                                |               |             |
|                          |                                |               |             |
|                          |                                |               |             |
| <b>Total for Others</b>  | 10440                          |               | 19069       |
| <b>Others not listed</b> | 7,560                          |               | 7,931       |
| <b>Grand Total</b>       | 18000                          |               | 27000       |

### Factors Affecting U.S. Exports:

European powdered milk suppliers are expected to gain a slight advantage over other suppliers. The ratification of the EU-Egyptian Partnership Agreement has lead to the elimination of import tariffs on European products that fall into the following categories:

- 04021010 Powdered Milk Fat Not Exceeding 1.5 percent for Infant
- 04021091 Powdered Milk Fat Not Exceeding 1.5 percent Pack more than 20 kg
- 04022110 Powder Milk Concentrate Fat Exceeding 1.5 percent N.Swetend
- 04022910 Powder Milk Fat more than 1.5 percent Pack =More 20 kg Conc
- 04022991 Milk Not Powdered, Sweetened